

HUD SECTION 202 REFINANCING PROGRAM

Program Description	<p>Owners of existing Section 202 developments may refinance their direct HUD loans through CalHFA under more favorable terms and conditions. Owners must agree to maintain affordable occupancy restrictions, to comply with HUD requirements, and to undertake appropriate rehabilitation of the property. (Prepayment of the HUD loan is now permissible without any change to the Section 8 subsidy payments as long as the debt service savings and additional funds accessed are invested in the property or to the benefit of the residents.)</p> <p>The CalHFA refinancing program offers lower interest rates and extended amortization terms. Debt service savings can be used to leverage additional loan proceeds to fund renovation, additions, or other senior amenities. Enhanced cash flow can be used to fund service and other resident programs, or a combination of rehabilitation and services, subject to CalHFA and HUD approval. Existing reserve accounts may be used to fund rehabilitation, subject to HUD approval.</p> <p>Eligible sponsors may also use the CalHFA refinancing program for the acquisition and rehabilitation of existing 202 properties.</p> <p>The loans will be funded with tax-exempt bonds and will be issued through the HUD/FHA Risk Share Program.</p>
Qualifications	<ul style="list-style-type: none"> Available to non-profit agency sponsors
Loan Amount	<ul style="list-style-type: none"> Lesser of Section 8 contract rents or comparable market rents A minimum 110% debt service coverage ratio Loan to value not to exceed 90% of appraised value
Fees (subject to change)	<ul style="list-style-type: none"> Application Fee: \$500, due at time of application Loan Fee: 1.5% of the loan amount Third Party Fee: \$25,000 for estimated cost of third party reports, due at time of application (can be financed at loan closing) Legal Fees
Rate & Terms (subject to change)	<ul style="list-style-type: none"> Interest Rate: 5.50% Payments: interest-only payments during the rehabilitation period. Fully amortized payments after rehabilitation period. Term: up to 2 years for rehabilitation period, up to 30 years after rehabilitation period
Occupancy Requirements	<ul style="list-style-type: none"> 20% of the units are required to be restricted to households earning 50% or less of the county median income (as adjusted by family size) Compliance with 501(c)(3) bond affordability requirements or

Occupancy Requirements (continued)	<p>TCAC affordability requirements, as applicable</p> <ul style="list-style-type: none"> • Low income use restriction for term of new CalHFA loan or of original HUD 202 loan, whichever is greater • Borrower must apply for Section 8 contract renewals and annual rent adjustments
Due Diligence	<p>All of the listed due-diligence efforts are required and are at the borrower's expense:</p> <ul style="list-style-type: none"> • Property appraisal will be ordered by CalHFA • Termite inspection report • Seismic review • Phase I, NEPA environmental review for HUD/Risk Share, and Asbestos Study (if required by the Phase I) • Physical Needs Assessment (PNA) for rehabilitation projects and Handicapped Accessibility Report (included in PNA) • Construction period inspection fees are estimated at \$1,500 per month
Rehabilitation Priorities	<ul style="list-style-type: none"> • Health and safety considerations including seismic reinforcement, if necessary • Handicap accessibility (common areas and 5% of units) • Deferred maintenance and required system upgrades • Senior enhancements
Required Reserves	<ul style="list-style-type: none"> • Operating Expense Reserve: 10% of annual gross income due at permanent loan closing (cash) • Replacement Reserve: \$1,000 per unit • Annual Replacement Reserve Deposit: minimum of \$250 per unit (or higher if required by the PNA)
Questions	<p>Questions regarding the HUD Section 202 Refinancing Program can be directed to CalHFA's Multifamily Finance Division:</p> <ul style="list-style-type: none"> • Edwin Gipson, Loan Officer, Multifamily Programs • 1121 L Street, Suite 207, Sacramento, CA 95814 • Phone: 800.736.2432 or directly at 916.324.1548 • Email address: egipson@calhfa.ca.gov or • Kathy Weremiuk, Loan Officer, Multifamily Programs • 100 Corporate Pointe, Suite 250, Culver City, CA 90230 • Phone: 310.342.1256 • Email address: kweremiuk@calhfa.ca.gov

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. CalHFA does not discriminate on the basis of disability in employment or in the admission and access to its programs or activities.

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